

# *Analysis of Cash Expenditures Internal Control Systems Pro Medika Clinic Padang*

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**Abstract** - Cash is very important in any corporate transaction, it is necessary for an internal control system, especially the issuing of cash disbursements (expenditures of cash). Through a good system of internal control of cash expenditures, then all forms of fraud potentially that could harm the clinic can be prevented or reduced to a minimum level. The purpose of this study was to analyze the internal control system of cash expenditures on Pro Medika Clinic Padang. The method used is descriptive analysis method using the analysis flowchart. While the data collection techniques by observation, interviews and documents. It can be concluded that the internal control system of cash expenditures on Pro Medika Clinic has not fully met the elements of good internal control. This is due to the lack of segregation of duties and functions and has never done independent checking and reconciliation to job handling the financial part of the expenditures of cash. But for transaction authorization, a note and a sufficient documents and security of assets and documents have been build well as a form of internal control roomates have been assigned the management of the clinic.

**Keywords** - *Cash, Cash Expenditures, Internal Control System*

## **I. INTRODUCTION**

Indonesian health development goals towards healthy is to raise awareness and the ability to live a healthy life for every person to be realized services, prevention, treatment and referral accurately and quickly, and also in order to achieve optimal health status. Along with the increase and the emergence of competition between companies engaged

in the field of health care and health services, it would require the system to produce fast and accurate output.

A good system is needed for an enterprise, whether manufacturing, trading and service company in running its operations. The existence of such a system can help tasks related organizational units. Each company will use a system that best suits on the company's activities are carried out, its simple in implementation and easy to control.

Internal control system is controlling performed in the management of the company's activities. In order to achieve a predetermined goal, a good internal control system is very large role for the progress of the company and the process of achieving corporate goals. Internal control system itself aims to safeguard the company's assets by minimizing waste, misappropriation, ensure the accuracy and correctness of accounting data, to improve work efficiency and boost compliance with the implementation of company policy. (Mulyadi, 2008).

One form of internal controls that are important to the company is associated with cash. Cash as the most liquid assets (Baridwan, 2013) need to be protected from all forms of deviation. For a service company nearly 80% of operating income comes from cash services company that needed an internal control system that can guarantee cash security from misuse of irresponsible parties. Cash internal control system is good and right it is to support the accuracy of information would be the amount of cash the company. It required procedures for internal control of cash.

The need for the internal control system is a reasonable because through internal controls to reflect their good managerial practices. Internal control system suggests actions to be taken by the management to organize and drive the company's activities mainly cash revenue and expenditures activity. Cash expenditures occurred of routine and non-routine in Pro Medika Clinic involving two accounts, namely Cash at Bank and Petty Cash does require good control in order to avoid the possibility of diversion, theft and embezzlement of cash.

Therefore it is necessary and appropriate supervision of the cash expenditures by implementing internal control system correctly and effectively. If the internal control in the clinic was run according to established procedures, then all forms of diversion can be revealed easily. In the end, if the internal control system on the Pro Medika Clinic has been running with the correct procedure then the clinic will expand operations and more advanced for the future. It also will be an added value to the management performance assessed by the leaders.

From the description of the phenomenon on the background described previously, the purpose of this research is : "to analyze the internal control system of cash expenditures in Pro Medika Clinic Padang."

## II. LITERATURE REVIEW

### A. Understanding Systems

The system is a collection of subsystem/part of component physical or non-physical are interconnected and work together in harmony to achieve a specific goal (Susanto, 2008). The system can also be defined as a group of elements that are closely related to each other that function together to achieve certain goals (Mulyadi, 2008). Meanwhile, according to Romney system (2006) is a series of two or more components interconnected that interact to achieve a goal.

### B. Internal control

Control is one task that is absolutely organized by everyone who occupy managerial positions, ranging from top managers to line managers who directly supervise the technical activities done by the staff. Control related to the objectives to be achieved based on the organization's strategy has been formulated and established, as well as broken down into program or work plan. Control is done, so that the organization operates according to the set program.

Internal control includes organizational structure, methods and measures are coordinated to maintain the wealth of the organization, check the accuracy and reliability of accounting data, improve the efficiency and effectiveness of operations, and encourage compliance with management policies that have been established (Mulyadi, 2008).

Internal control consists of five interrelated components (Agoes, 2012), namely :

1. Control environment.
2. Risk assessment.
3. Activity control.
4. Monitoring.
5. Information and communication.

Besides, the purpose of internal control by Arens (2013) is for the reliability of financial reporting, efficiency and effectiveness of operations and compliance with laws and regulations.

### C. Internal Control System

In designing of internal control systems need to be concerned an essential element of the internal control system. The main elements of the internal control system according to Turner (2009) are :

### 1. Otorisasian transaction

Management plays an important role in implementing the authorization of the transaction correctly. Inspectors are expected quite familiar with each department and they can find out if there is a data/transactions are not uncommon.

### 2. Segregation of duties

Separation of functional responsibility within the organizational units are formed very necessary because it is a form of control to prevent fraud. Moreover, with the separation of functional responsibilities, it will do an internal check between the implementing organization unit.

### 3. Records and documents adequate

Notes and fundamental documents in each transaction process needs to be archived. It is a form of liability, if needed at any time.

### 4. The security of assets and documents

The security of property companies and related documents need to be controlled both electronically and physical controls to ensure the confidentiality of information. Similarly, access to assets and documents protected using physical controls so that no one has the opportunity to commit fraud.

### 5. Independent examination and reconciliation

Some procedures related reconciliation transaction monitoring should be performed regularly through checks conducted separately and independently.

## D. Cash Expenditures

Cash by Warren (2008) includes coins, bank notes, checks, money orders or through postal remittances are prevalent form of bank draft or bank check; it is henceforth termed the bills, and the money saved in the bank that can be drawn without the restrictions of the relevant bank. Meanwhile, according to the Financial Accounting Standards (Agoes, 2012) :

1. What is meant by cash payment instrument is ready and freely used for general corporate finance activities.
2. What is meant by the bank is the rest of the company checking account that can be used freely to finance general corporate activities.

Cash in the operations needed to finance all activities of daily company operations, new investment holding and others. In a cash outlay, there are two basic accounting systems are cash expenditures accounting system with

checks and accounting system through petty cash expenditures (Mulyadi, 2008).

## E. Research Accomplished

In research Sofyan (2014) conducted a study of the accounting system cash expenditures in Sri Pamela Hospital and the result shows that the system of cash expenditures Sri Pamela Hospital Medan has gone well. Research with a broader scope is also done by Yona (2014) with the title of the internal control against cash receipts and expenditures at Bina Kasih Public Hospital Medan. Based on the results of the discussion, it was concluded that the internal control of cash receipts at Bina Kasih Public Hospital Medan has not done well, since there are dual duties between the accounting department with the cashier and treasurer. Internal control of cash expenditures at Bina Kasih Hospital Medan also has not done well,

## III. METHODOLOGY

### A. Place and Time of Research

The experiment was conducted at the Clinic Pro Medika, a private clinic under the auspices of the Limited Liability Company, PT. Medika proclamation which began operational since May 9, 2011. This clinic located at Proclamation Street No. 61 Padang, West Sumatra. When the study during of March until December 2018.

### B. Data source

The data used in this research is the primary source. Sugiyono (2010) revealed that the primary source is a data source that directly **provide** data to data collectors. In this study, the data was obtained directly from interviews with sections related to the management of cash and clinics.

### C. Data Collection Technique

The research is a qualitative descriptive achieved by setting the first data collection techniques. Based on the research question that has researchers pointed out in Chapter I, about how the four **companies** run internal control over cash expenditures, the data collection techniques used by researchers is the observation, interviews, and documents. (Sugiyono, 2010).

In observation of researchers looked at the activities the object being observed or used as a source of research data. In addition to **observation**, interviews were also used to obtain research data. The interview is a meeting of two people to exchange information and ideas through questions and answers, so it can be constructed meaning in a particular topic. In this study, interviews were conducted with

management and finance section (cashier) accounting procedures to obtain data on cash expenditures.

Final data collection **techniques** used were document. Document is a record of events that had passed. Data collection techniques with the document is complementary to the use of the method of observation and interviews. The results of the observation or interview, will be more credible, if its supported by a document. Documents that will be **collected** by researchers, among others : cash expenditures vouchers, expenditures reports daily cash, bill/note/invoice from a third party, checks and bank expenditures vouchers.

#### D. Data Analysis Methods

The data analysis method used in this research is descriptive analysis method using the analysis of the flowchart. Descriptive method is to collect, classify, analyze, interpret the data **that** is required by the object of research so as to provide a clear picture suit the actual circumstances. Analysis flowchart is an analytical technique used to describe some aspects of the system information in a clear, concise, and logical. Flowchart is a standard for describing a series of symbols through image processing procedure of transactions used by companies and the flow of data through the system.

### IV. RESULT

#### A. Cash Expenditures Procedures in Pro Medika Clinical

The procedure of cash **expenditures** in Pro Medika Clinic Padang includes a series of manual processes ranging from recording, classifying, summarizing, transactions or financial events and financial reporting in the context of liability relating to the cash outlay clinic. Supporting documents that are used for cash expenditures accounting procedures in Pro Medika Clinic Padang consists of :

1. Billing invoices from third parties in the form of a memo/receipts/invoices must be paid and proof of which is the transfer of documents or proof if the payment is made through bank transfer.
2. Cash expenditures vouchers are a record of transactions of small cash outlay.
3. Vouchers bank expenditures which are records of transactions in large amounts by using a checking account belonging to the clinic.

4. Reports daily cash expenditures as a recapitulation of transactions using petty cash funds that occurred during the working day.
5. Accumulated demand money for the submission of disbursement of money through checking account.
6. Memo are also used for the submission of disbursement of money through checking account.
7. Checks are used to make payments via giro accounts clinic.

In detail, the cash outlay in Pro Medika Clinic Padang is divided into two types of expenditures, namely :

1. **Directly**, a cash outlay for a small nominal performed in this case using Petty Cash. Petty Cash balance Clinic was Rp. 2,000,000. This cash disbursements made by the cashier directly by making a cash expenditures vouchers. Type of transaction direct cash expenditures made by Pro Medika Clinic, among others :
  - a. Cash expenditures to pay a levy of garbage to the Sanitation Department of Padang.
  - b. Spending cash to pay for the consumption of doctors who performed the surgery.
  - c. Spending cash to pay for the purchase refill gallon water.
  - d. Spending cash to pay the costs for the sterilization of surgical instruments, transportation costs and the cost of parking.
  - e. Cash expenditures to pay for outside labor.
  - f. Cash expenditures to pay for the purchase of office stationery.
  - g. Spending cash to pay for purchases in cash drug in relatively small amounts.
  - h. Cash expenditures to pay for laundry.

The procedure **direct** cash expenditures on Pro Medika Clinic are follows :

- a. Starting with the cashier (finance department) received a bill from outsiders (as described previously) and then the cashier makes a cash expenditures vouchers.
- b. Furthermore, the voucher payments and cash disbursements had to be signed by the party receiving of the payment. Parties that

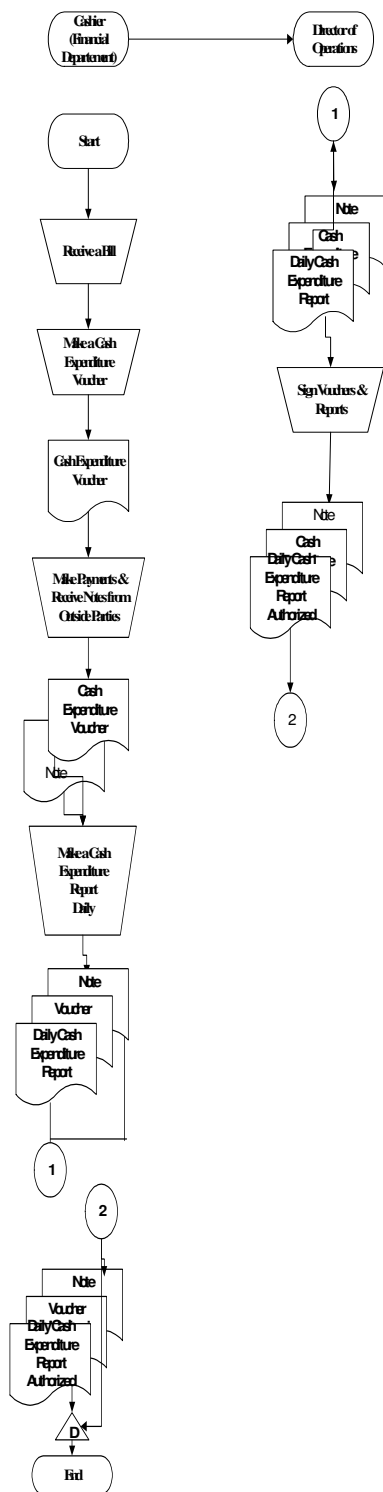
- receive payouts also submit the receipt/note/invoice or similar documents.
- c. Voucher and cash expenditures paid off and write the date stamped.
  - d. All cash expenditures voucher for one working day (until 22:00 pm) is collected and made recap report daily cash outlay.
  - e. The next day, cash expenditures voucher that is attached to the receipt/note/invoice from outside along with a recap of the daily cash expenditures report submitted to the director of operations.
  - f. Director of operations will inspect and sign the document and return it to the cashier.
  - g. The cashier will perform archiving of documents by date.
2. **Indirect**, A large nominal expenditures is paid with money taken to a checking account contained in the BNI Syariah.
- Type of transaction spending large amounts of cash contained in Pro Medika Clinic are follows :
- a. Payment for purchase of drugs at major pharmaceutical companies conducted every thursday at every week.
  - b. Medical service payments to physicians who practice in Pro Medika Clinic conducted each month between the 5th to the 10th of next month.
  - c. Employee salaries, either payroll directors, employee Pro Medika Clinic or security payroll done in the last week of each month.
  - d. Electricity payment is done by auto debit Pro Medika Clinic checking account at BNI Syariah.
  - e. Bill payment immunohistokimia examination (CPI), which is a laboratory examination bill that is sent to the Hasan Sadhikin Hospital Bandung.
  - f. Payment of bills sent to labor inspection Prodia Laboratory.
  - g. Spending cash to pay for the destruction of medical waste.
  - h. Payment service public accounting firms on a monthly administrative guidance services.
- a. The cashier made the memo and accumulation of money demand addressed to the director of operations.
  - b. Memo and accumulated demand the money must be approved and signed by the director of operations in advance.
  - c. After authorization/approval, the cashier will make a check for making money contained in the current account with BNI Syariah. At the time of taking the money by check, there is a provision of the BNI Syariah that disbursement can only be done, if it has been autographed by the competent authorities at Pro Medika Clinic (there are 4 specimen signatures, and for disbursement could be represented by two people alone among the 4 specimen signature).
  - d. After a check cashed it will be cash expenditures for this type of expenditures in such large quantities.
  - e. The final section, the cashier will make the bank of expenditures vouchers will also be handed to the director of operations (the same procedure with a petty cash/cash expenditures directly).
  - f. Vouchers bank expenses that have been signed by the director of operations will be archived by the cashier at date.

#### ***B.Document Flowchart for Accounts Payable in Pro Medika Clinic***

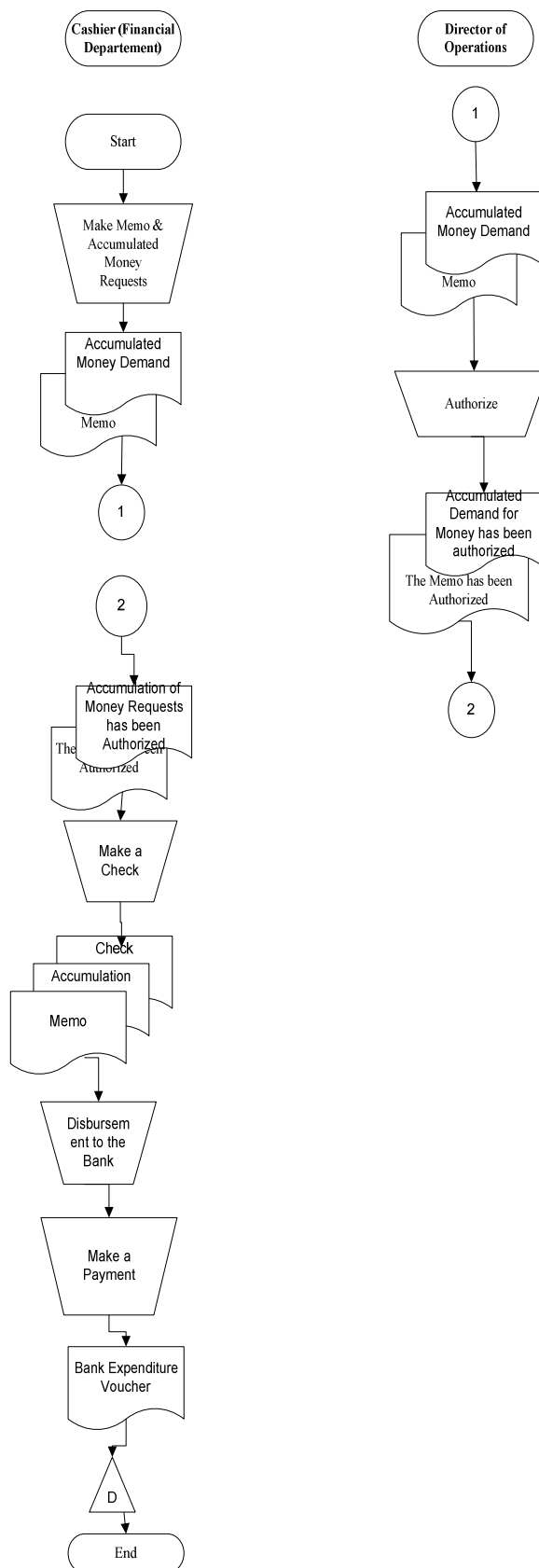
Through the author flowchart described below will be visible procedures established by the clinical management of cash outlays related  $t^2$  both direct expenditures with petty cash and expenditures indirectly through a checking account belonging to the clinic.

The following cash expenditures procedures indirectly through current account at BNI Syariah :

## 1. Direct Expenditures (Petty Cash)



## 2. Indirect Expenditures (Bank)



### *C. Internal Control Systems Analysis Cash Expenditures on Pro Medika Clinic*

Internal control cash expenditures made to avoid the possibility of misuse and abuse of adverse cash clinic. Internal control cash expenditures include :

#### 1. Transaction authorization

Pro Medika Clinic has created internal control cash spending with cash expenditures based on the authorization granted by the competent authority. For all cash expenditures either directly through petty cash or indirectly through a checking account, has gone through the process of authorization by the director of operations. Teller made statements of cash and bank expenditures reports are always authorized by the operations director who has always been at the clinic every day.

#### 2. Segregation of duties

Segregation of duties is done to create internal control over cash expenditures. For the separation of duties that exist in Pro Medika Clinic not completely worked well, despite the separation of duties between the authorizing and the recipient of the authorization. Giver authorization in this case is different from the receiver's director of operations, namely authorization of the financial section (cashier). However, all subsequent cash expenditures processes handled by cashiers overall ranging from the creation of documents, expenditures of funds to the accounting reporting. This could actually have a negative impact if not done more to jobs cashiers check and also prone to fraud.

#### 3. Records and documents adequate

Accounting records over cash expenditures at the Pro Medika Clinic has sufficient because it has been supported by the related documents such as the memo/receipts/invoices from third parties, proof of cash out a check (for expenditures not directly), which also made spending report of banks and vouchers cash expenditures (for direct expenditures) to include cash expenditures reports, all of which can be a good form internal control.

#### 4. The security of assets and documents

Internal controls related to the security of the assets and documents done by storing transaction evidence to the cash outlay in a locked cabinet. The key is held by the finance department. Additionally, access control is also done with other parts prohibit employees to use a computer that is used to record cash outlay and the computer also has a password known only to the finance department. This is done to control cash and has been running quite effective.

#### 5. Independent examination and reconciliation

Cash expenditures process that occurs in the Pro Medika Clinic never be reconciliation and investigation independently. It is in fact potentially harm the clinic because it can not be verified and checked the truth of documents and records that have been done.

### **V. CONCLUSION**

Based on the results of the discussion that has been described previously, it can be concluded that :

1. Internal control of cash receipts on Pro Medika Clinic was not carried out properly, because there are still elements of internal control unfulfilled as their dual duties held by the same person. Lack of segregation of duties and functions of the employees where the financial section doubles as the cashier, the recipient of the money, depositors money into the bank, and paying money to a third party so as to enable the opening of a gap to perform manipulation practices. In this case there has been a dual position in the absence of a clear separation of functions between operational functions, recording and storage functions as well as recording and reporting functions. Besides that, never conducted an independent examination and reconciliation as an internal check on the work the cash register so it will difficult to find fraud occurring. But in terms of authorization, records and documents adequate and security assets and documents, have been implemented as well as a form of internal control.
2. All cash disbursement process is still using manual procedures with the help of a computer (program Microsoft Word and Microsoft Excel) so that there is no reference standard and can be an error in the input, process and output.

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